U. S. INTERNATIONAL AIR TRAVEL 1950 - 1978

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I. INTRODUCTION AND SUMMARY

This analysis of historical air traffic trends is based on data from the U.S. Immigration and Naturalization Service (INS), Form I-92. INS data includes both scheduled and charter arrivals and departures. It does not include traffic to Canada, Puerto Rico and the Virgin Islands. The country or city where the passenger first clears immigration is considered as the destination. The data have been corrected to eliminate non-U.S. Mainland traffic such as Japan-Guam, Japan-Anchorage-Europe, and Puerto Rico-Caribbean. In order to analyze total U.S. - Caribbean traffic, an historical series of U.S. Mainland-Puerto Rico traffic from the Puerto Rico Ports Authority has been included on some tables. All tables and figures in this report are based on INS data except where specifically noted.

International air travel to and from the United States (excluding Canada but including Puerto Rico and the Virgin Islands) reached a total of 36.7 million scheduled and charter passengers in 1978. This volume is 25 times greater than the 1.4 million passengers served in 1950, representing an average annual growth rate of 12%. Every year since 1950, traffic was greater than the prior year except for 1974 and 1975 when the fuel crisis-induced recession resulted in the first decreases.

International air trips by U.S. citizens per 1000 U.S. population increased from 2.6 in 1950 to 41.8 in 1978, while for each billion dollars of real GNP they increased from 730 to 6,580 trips. Increasing income per capita and improved service at lower fares are the primary reasons for the growth in international air travel.

U.S. citizens have comprised the majority of U.S. international traffic although their share has declined, particularly since 1972, to 57% as the decreasing value of the dollar made trips to the U.S. more attractive to non-U.S. residents. Up until 1976, U.S. flag airlines dominated the traffic to/from the U.S. except for a brief period from 1961-1965. In recent years foreign flag airlines have been carrying half the traffic. This reflects the faster travel growth by non-U.S. citizens and the increased number of foreign airlines serving the U.S.

Charter traffic has been reported separately by the U.S. Immigration and Naturalization Service (INS) only since 1972. While charter traffic's share of the total is 12%, the same as in 1972, it is usually very sensitive to changes in the economy. More recently, charter traffic is declining due to the increasing availability of low-fare scheduled services.

For purposes of analysis, total international air passengers have been grouped into three directional flows: Southward, Eastward, and Westward. The Southward traffic flow, primarily to the Caribbean and Mexico, has been the largest in terms of passengers; its share, however, has decreased from 56% in 1962 to 47% in 1978 due to relatively low growth in the 1970's. The Eastward flow rapidly increased in the 1960's, with its share rising from 37% in 1962 to 44% in 1972, due to low fares and increased capacity resulting from the scheduled airlines' competitive struggle with charter services. Since then its share has dropped slightly to 42%. The Eastward flow (almost all to Europe) is the largest in terms of revenue passenger miles. The Westward flow to the Far East (mostly Japan) and the South Pacific has experienced the highest growth rate since 1962, averaging almost 15% per year; its share has increased from 7.0% in 1962 to almost 12% in 1978.

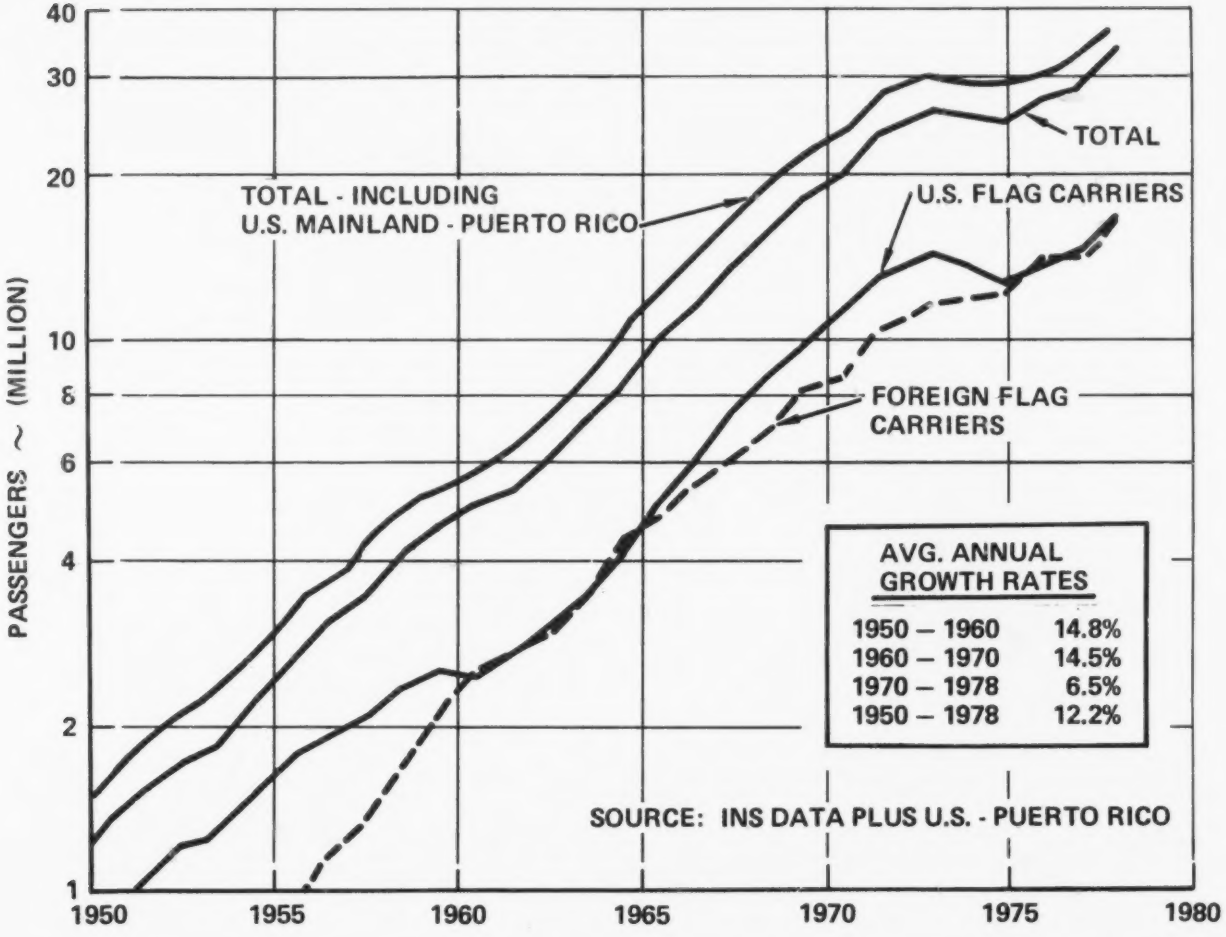
U.S. international air travel is heavily concentrated at New York and a few other gateways. The top five gateways handled 87% of total traffic in 1965 and 76% in 1978; New York, due to it's dominance of

FIGURE 1.

U.S. INTERNATIONAL AIR PASSENGERS

U.S. FLAG AIRLINES VS FOREIGN FLAG AIRLINES

1950 - 1978



U.S.-Europe traffic represented 50% and 38%, respectively, of total U.S. international travel. Miami, with 16%, held on to second place because of its strong role in the Southward traffic flow. Los Angeles's rapid international traffic growth has pushed it up to third place with 9.5% of the total traffic compared to only 5.4% in 1965.

II. GLOBAL VIEW

U.S. international scheduled and charter air passengers increased 25 times over the last 28 years from 1.4 to 36.7 million passengers, including U.S. Mainland to Puerto Rico and the Virgin Islands, but excluding U.S. to Canada traffic. Growth in traffic to and from the United States from 1950 to 1973 was at a nearly constant rate of 14% per year. The only major deviation from the continuous annual growth took place in the 1974-1975 period when traffic actually declined as a result of the most severe post-World War II worldwide economic recession following the oil embargo in 1973 (see Figure 1). The average annual growth from 1950 to 1978 of 12.2% was far greater than both the U.S. population growth rate of 1.3%, and the U.S. Gross National Product growth rate of 3.5%.

The growth in U.S. international air travel was due to an expanding economy, improved service, and declining fares. As may be seen in Table 1, changes in the rate of growth in passenger volume tend to correspond with the fluctuations in economic activity, as well as with lower fares (yields).

The effect of the four business recessions during the period from 1950 to 1972 was to slow the passenger growth rate, but it never dropped below an 8% per year increase. In all recessions prior to 1974/75, fares continued to decrease. Between these recessions, traffic growth peaked at from 17% to 20% while GNP annual increases rose to between 6-9%.

During the 1974/75 recession, fares (real yields) increased for the first time since 1950 due to the doubling of fuel prices. The increase in fuel prices resulted in a 9.9% increase in yield in 1974, followed by a 2.8% increase in 1975. With the economic recovery in 1976/1977 and a 5.8% drop in real yield in 1976, a strong pick-up in traffic would have been expected. It was not until 1978, however, that U.S. international air travel resumed its long-term historical growth rate. The recovery was strongly influenced by non-U.S.. citizen travel in 1978 as the dollar depreciated in value relative to the Japenese Yen, the German Mark, and several other currencies.

U.S. citizens have always represented a majority of traffic to and from the U.S., as shown on Tables 2 and 5. However, their percentage steadily declined from its 1956 peak of 69% to 61% in 1961. From 1961 to 1972 the U.S. citizen proportion remained relatively constant. U.S. citizen travel volume declined for the first time in 1974 and 1975 while non-U.S. citizen travel continued to increase. By 1978, U.S. citizen share dropped to about 56%. Travel by U.S. citizens in 1978 increased at 11.5% but this was one-half the 21.4% increase by non-U.S. citizens.

During the past generation, the number of foreign trips (excluding to/from Puerto Rico and the Virgin Islands) taken by U.S. citizens has increased from 400,000 in 1950 to 9.1 million per year in 1978, a 23 fold increase (see Table 3). Trips per 1,000 population and per million dollars of GNP were up by 16 and 9 times, respectively. The number of U.S. passengers taking an international trip in 1950 was equal to 0.3% of the U.S. population, rising to 4.2% by 1978. Thus, while there has been a tremendous increase in international air travel, it is still an activity limited to very few Americans.

U.S. flag airlines dominated the market with nearly 75% of the traffic in 1950, decreasing steadily to 50% in 1961 (Tables 4 and 5). With the economic recovery of Europe and Japan, the national airlines of these

TABLE 1
U.S. INTERNATIONAL AIR PASSENGERS, THE U.S. ECONOMY AND YIELD
1950-1978

YEAR	PASSENGERS[1/] THOUSANDS	% CHANGE	U.S. GNP ($1972) $ BILLIONS	% CHANGE	YIELD ($1967) ¢/RPM	% CHANGE
1950	1,431	–	533.5	8.7	10.17	–
1951	1,700	18.8	576.5	8.1	9.20	–9.5
1952	1,954	14.9	598.5	3.8	8.93	–2.9
1953 (R)	2,152	10.1	621.8	3.9	8.68	–2.8
1954 (R)	2,399	11.4	613.7	–1.3	8.57	–1.2
1955	2,861	19.2	654.8	6.7	8.53	–0.5
1956	3,374	17.9	668.8	2.1	8.45	–0.9
1957 (R)	3,838	13.7	680.9	1.8	8.03	–5.0
1958 (R)	4,389	14.3	679.5	–0.2	7.70	–4.1
1959	5,164	17.6	720.4	6.0	7.39	–4.0
1960 (R)	5,682	10.0	736.8	2.3	7.32	–0.9
1961 (R)	6,144	8.1	755.3	2.5	6.92	–5.5
1962	6,930	12.7	799.1	6.0	6.60	–4.6
1963	7,740	11.6	830.7	3.9	6.53	–1.1
1964	9,291	20.0	874.4	5.3	6.16	–5.7
1965	10,923	17.5	925.9	5.9	5.87	–4.7
1966	12,709	16.3	981.0	6.1	5.54	–5.6
1967	14,900	17.2	1,007.7	2.7	5.25	–5.2
1968	17,040	14.3	1,051.8	4.4	4.99	–4.9
1969	19,573	14.8	1,078.8	2.6	4.53	–9.2
1970 (R)	21,937	12.0	1,075.3	–0.3	4.48	–1.1
1971	23,800	8.4	1,107.5	3.0	4.18	–6.7
1972	28,349	19.1	1,171.1	5.7	3.93	–6.0
1973 (R)	30,075	6.0	1,235.0	5.4	3.94	0.3
1974 (R)	29,420	–2.2	1,217.8	–1.4	4.33	9.9
1975 (R)	28,861	–1.9	1,202.3	–1.3	4.45	2.8
1976	30,193	4.6	1,271.0	5.7	4.19	–5.8
1977	31,688	5.0	1,332.7	4.8	4.19	0.0
1978	36,279	14.4	1,385.7	4.0	3.83	–8.6
AVG ANNUAL GROWTH RATE		12.2		3.5		–3.6

1/ Source – CAB Handbook of Statistics – INS Data. Includes U.S. - Puerto Rico, but excludes U.S. Virgin Islands passengers amounting to 298,000 in 1977 and 389,000 in 1978.

R – Years during which a recession in the U.S. economy occurred.

TABLE 2
U.S. INTERNATIONAL AIR PASSENGERS[1/]
DSITRIBUTED BY U.S. CITIZENS AND NON-U.S. CITIZENS
1950-1978
LONG TERM TRENDS

	U.S. CITIZENS		NON-U.S. CITIZENS		TOTAL		U.S. CITIZEN
	(000)	AVG % CHG.	(000)	AVG % CHG.	(000)	AVG % CHG.	% OF TOTAL
1951 FY[2/]	862	–	473	–	1,335	–	64.6
1955 FY[2/]	1,465	14.2	741	11.9	2,206	13.4	66.4
1961 FY[2/]	3,031	15.1	1,921	21.0	4,952	17.6	61.2
1965	5,381	14.9	3,382	14.1	8,763	14.6	61.4
1970	11,418	16.2	7,039	15.8	18,457	16.1	61.9
1975	13,887	4.0	10,550	8.5	24,437	5.8	56.8
1978	18,140	9.3	14,479	11.1	32,619	10.1	55.6
			ANNUAL 1970-1978				
1970	11,418	–	7,039	–	18,457	–	61.9
1971	12,836	12.4	7,493	6.4	20,329	10.1	63.1
1972	15,038	17.2	8,567	14.3	23,605	16.1	63.7
1973	15,533	3.3	9,797	14.4	25,330	7.3	61.3
1974	14,567	–6.2	10,345	5.5	24,912	–1.7	58.5
1975	13,887	–4.7	10,550	2.0	24,437	–1.9	56.8
1976	15,063	8.5	11,707	11.0	26,770	9.5	56.3
1977	16,262	8.0	11,931	1.9	28,193	5.3	57.7
1978	18,140	11.5	14,479	21.4	32,619	15.7	55.6

1/ INS Data

2/ Fiscal Year; Calendar Year Beginning 1965; % Change 1965 Computed for FY 1966/1961

TABLE 3
U.S. CITIZEN INTERNATIONAL AIR TRIPS
TRIPS PER CAPITA AND PER $ GNP
1950-1978

	TRIPS (THOUSAND)	U.S. POPULATION (MILLION)	U.S. GNP (1972 $) ($ BILLION)	TRIPS PER CAPITA (PER 1000 POP.)	TRIPS PER $ GNP (PER $ MILLION)
1950	392	152.3	533.5	2.6	.73
1955	805	165.9	654.8	4.9	1.23
1960	1,501	180.7	736.8	8.3	2.04
1965	2,770	194.3	925.9	14.2	2.99
1970	5,897	204.9	1,075.3	28.8	5.48
1975	7,154	213.6	1,202.3	33.5	5.95
1978	9,121	218.3	1,385.7	41.8	6.58

Source: INS Data

areas resumed international operations and were granted access to the U.S. market. A watershed point was crossed in 1956 (fiscal year) when the percentage of passengers carried by U.S. flag airlines dropped below the percentage of U.S. citizens (see Table 5 and Figure 2).

U.S. airline traffic has been subject to wide fluctuations, with traffic declines during the 1961 and 1974/1975 recessions. Foreign flag airlines, however, have shown steady, consistent growth throughout the 1950-1978 period with a gradually decreasing growth rate. This reflects the higher growth rates of non-U.S. citizen traffic to the U.S., who generally tend to fly their national flag carrier. Even during the 1974/1975 recession, foreign flag airlines had increases in volume while at the same time U.S. flag passenger volume was declining. From 1961 to 1965 U.S. airlines had approximately 50% of the market. U.S. flag carrier share gradually grew again to 55% in 1968 due to the increase in charter airline traffic, especially across the Atlantic, which was dominated by U.S. flag carriers. U.S. carrier share again decreased to the 50% level in 1976, as a result of the recession, where it has remained.

The market obtained by U.S. flag airlines reflects the proportion of the market that U.S. citizens represent. Declines and rises in the U.S. flag airlines' share have paralleled corresponding changes in U.S. citizens' share since 1955. The most recent decline in U.S. citizens' share from 64% in 1972 to 56% in 1978 was reflected in the U.S. flag airlines' share drop from 56% to 50%.

III. GEOGRAPHIC REGIONS

A. TRAFFIC VOLUMES

Traffic has grown at differing rates in each of the major directional passenger flows. Over the long term since 1950, traffic has grown at the fastest rate in the smallest region (Westward) and at the slowest

TABLE 4

U.S. INTERNATIONAL AIR PASSENGERS[1/]

DISTRIBUTED BY U.S. FLAG AIRLINES AND FOREIGN FLAG AIRLINES

1950 -1978

LONG TERM TRENDS

	U.S. FLAG AIRLINES		FOREIGN FLAG AIRLINES		TOTAL		U.S. FLAG AIRLINES
	(000)	AVG % CHG.	(000)	AVG % CHG.	(000)	AVG % CHG.	% OF TOTAL
1950 FY[2/]	818	–	277	–	1,095	–	74.7
1955 FY[2/]	1,508	13.0	698	20.5	2,206	13.4	68.4
1960 FY[2/]	2,505	10.7	2,071	24.5	4,576	17.6	54.7
1965	4,437	16.5	4,326	11.5	8,763	14.6	50.6
1970	10,332	18.4	8,125	11.1	18,457	16.1	56.0
1975	12,459	3.8	11,978	8.1	24,437	5.8	51.0
1978	16,299	9.4	16,320	10.9	32,619	10.1	50.0
			ANNUAL 1970-1978				
1970	10,332	–	8,125	–	18,457	–	56.0
1971	11,322	9.6	9,007	10.9	20,329	10.1	55.7
1972	13,129	16.0	10,476	16.3	23,605	16.1	55.6
1973	14,043	7.0	11,287	7.7	25,330	7.3	55.4
1974	13,308	–5.2	11,604	2.8	24,912	–1.7	53.4
1975	12,459	–6.4	11,978	3.2	24,437	–1.9	51.0
1976	13,311	6.8	13,459	12.3	26,770	9.5	49.7
1977	14,217	6.8	13,976	3.8	28,193	5.3	50.4
1978	16,299	14.6	16,320	16.8	32,619	15.7	50.0

1/ INS Data

2/ Fiscal Year, Calendar Year Beginning 1965

FIGURE 2.
U.S. INTERNATIONAL AIR PASSENGERS
PERCENT U.S. CITIZENS VS. PERCENT U.S. FLAG AIRLINES
1950 - 1978

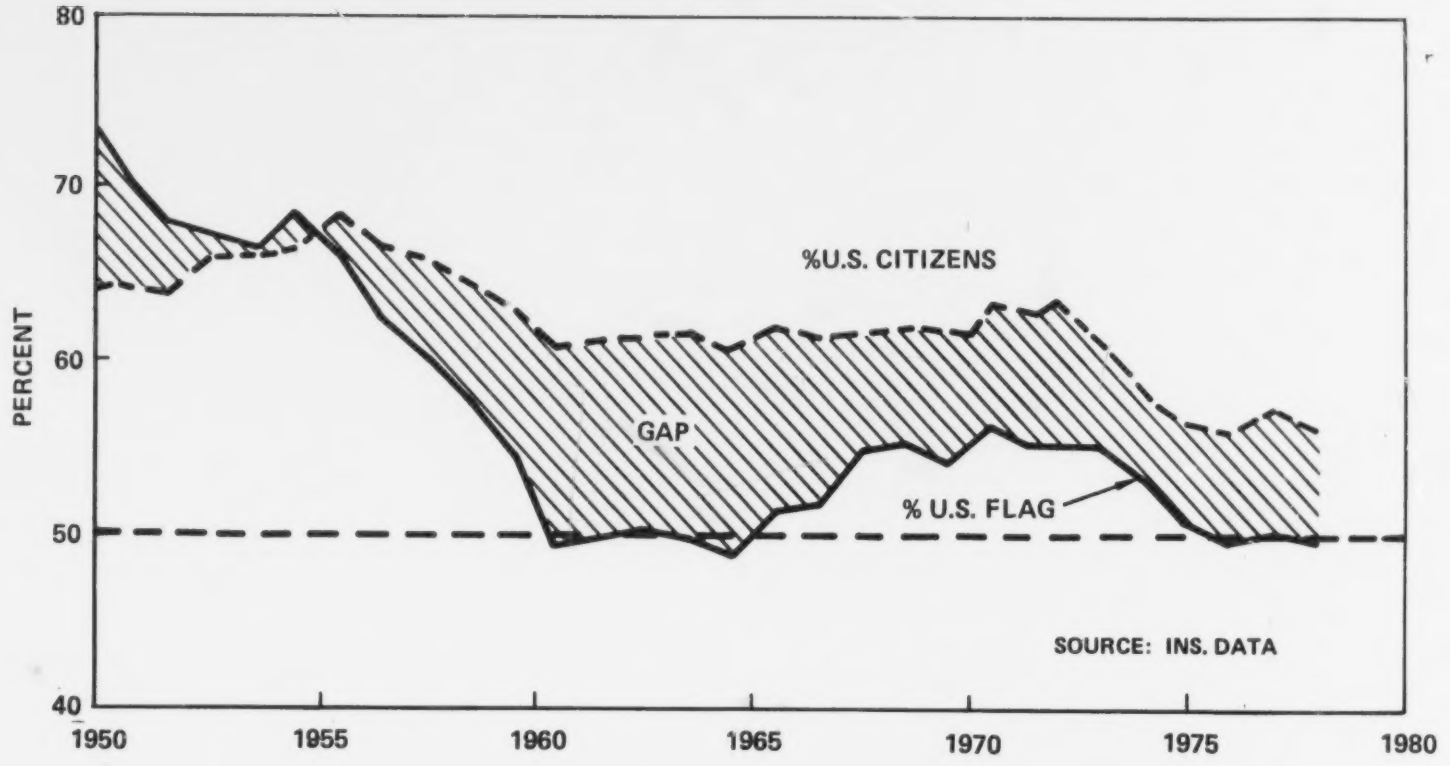


TABLE 5
U.S. INTERNATIONAL AIR PASSENGERS 1/
PERCENT U.S. FLAG AIRLINES COMPARED TO PERCENT U.S. CITIZENS
1950–1978

FISCAL YEAR ENDING 6/30	% U.S. CITIZENS	% U.S. FLAG	FISCAL YEAR ENDING 6/30	% U.S. 2/ CITIZENS	% U.S. FLAG
1950	64.6%E	74.7%	1964	61.8%	49.8%
1951	64.6	70.9	1965	61.4	49.0
1952	63.8	68.1	1966	62.1	51.5
1953	65.9	67.2	1967	62.2	52.1
1954	66.1	66.4	1968	62.3	55.1
1955	66.4	68.4	1969	62.3	55.4
1956	68.6	66.7	1970	61.9	54.5
1957	66.7	62.6	1971	63.1	56.5
1958	66.0	60.3	1972	63.7	55.7
1959	64.3	58.0	1973	61.3	54.3
1960	63.0	54.7	1974	58.5	54.4
1961	61.2	49.6	1975	56.8	51.6
1962	61.4	50.0	1976	56.3	50.5
1963	61.8	50.4	1977	57.7	50.4
			1978	55.6	50.0

1/ INS Data

2/ Calendar year from 1969 - 1978

E Estimated

rate in the largest region (Southward), as shown in Table 6. This trend reversed in 1978, reflecting a higher traffic growth to and from Mexico and South America as compared to U.S.-Europe and U.S.-Japan.

The Southward traffic flow (including U.S.-Puerto Rico and the Virgin Islands) the largest in terms of passengers, with 16.5 million arriving and departing passengers in 1978, has shown the least growth since 1962, averaging 10.0% per year. The market share for Southward traffic has declined 9.1 percentage points in 16 years. The growth rate for the Southward flow has been less than that for the Eastward flow since 1969, except for the 1973-1975 recession period, when the Eastward flow experienced substantial declines. However, in 1978, the Southward flow recorded its best increase since 1965 to lead all three traffic flows.

The Eastward flow, with 14.3 million passengers in 1978, had a 12.0% annual growth rate over the last 16 years. From 1976 through 1978, the Eastward flow has partially regained the market share lost in the 1974-1975 recession. U.S.-European traffic led the decline in this recession with a 12% decrease in 1974 followed by a 3% decrease in 1975.

The Westward flow, with 4.0 million passengers in 1978, has had the most rapid expansion since 1962, averaging nearly 15% per year. Its share of total international passengers rose by more than 3 percentage points since 1970 to 12%. Increases were recorded even during the 1974-1975 recession, although 1977 was essentially a no-growth year.

1. Southward Flow

   Of the major regions included in the Southward flow, the Caribbean, with Puerto Rico and the Virgin Islands excluded, is the largest (see Tables 7 and 7A). The four largest Caribbean destinations currently account for 76% of the total Caribbean and include the Bahamas (36.2%), Bermuda (16.1%), Jamaica (15.5%), and the Dominican Republic (8.4%). With Puerto Rico and the Virgin Islands included, the Caribbean currently comprises 55% of the total Southward flow. The Caribbean, especially the Bahamas, and Puerto Rico, experienced substantially lower growth during the 1970's than did Central America and South America.

   Southward flow traffic as a whole decreased during 1975 as the Caribbean, Puerto Rico and Mexico traffic dropped 2.9%, 9.8% and 1.2%, respectively. Traffic for these three areas did not recover until 1978. Both Central and South American areas continued growing throughout the 1974-75 recession with traffic to/from Venezuela up a total of 15% during these two years.

2. Eastward Flow

   This flow is overwhelmingly U.S.-Europe, as shown in Table 8. The natural dominance of Europe is further strengthened by the INS reporting procedure which considers the destination to be the point where the passenger first clears immigration. Since most passengers destined for the Mid East and Africa usually stop first in Western Europe, traffic to these points is understated.

   Eastward traffic increased rapidly in the mid-1960's. In fact, it doubled in the four years between 1962 and 1966 and almost doubled again between 1966 and 1970. This period was characterized by rapid growth in the U.S. and Western European economies, low rates of inflation, and vastly improved transatlantic scheduled and charter service, as real average fares per passenger mile were cut in half on scheduled services.

TABLE 6
TOTAL U.S. INTERNATIONAL AIR PASSENGERS
DISTRIBUTED BY MAJOR GEOGRAPHIC FLOW
1962-1978

	SOUTHWARD[1]			EASTWARD			WESTWARD			TOTAL	
	Psgrs. (Millions)	Percent Change	Percent Share	Psgrs. (Millions)	Percent Change	Percent Share	Psgrs. (Millions)	Percent Change	Percent Share	Psgrs (Millions)	Percent Change
1962	3.5	–	55.9	2.3	–	37.1	0.4	–	7.0	6.3	–
1963	3.9	11.3	55.4	2.6	13.8	37.6	0.5	12.1	7.0	7.0	12.3
1964	4.6	17.8	54.0	3.3	25.9	39.1	0.6	19.3	6.9	8.5	21.0
1965	5.5	20.2	54.9	3.8	15.0	38.2	0.7	18.4	6.9	10.1	18.1
1966	6.5	17.1	55.4	4.4	14.4	37.6	0.8	17.5	7.0	11.7	16.1
1967	7.5	16.6	55.3	5.2	18.2	37.8	0.9	14.8	6.9	13.6	16.8
1968	8.8	16.7	56.4	5.8	11.8	36.9	1.1	12.5	6.7	15.6	14.6
1969	9.7	10.0	54.1	6.9	20.2	38.7	1.3	21.8	7.2	17.9	14.5
1970	10.0	3.5	49.9	8.4	20.5	41.6	1.7	32.6	8.5	20.1	12.2
1971	10.6	5.2	48.3	9.4	12.1	42.9	1.9	12.9	8.8	21.9	8.7
1972	12.1	14.0	46.7	11.4	21.6	44.2	2.4	22.2	9.1	25.8	18.0
1973	12.7	5.7	46.5	11.8	3.5	43.0	2.9	22.9	10.5	27.4	6.3
1974	13.3	3.9	49.3	10.5	−11.0	39.0	3.1	7.5	11.6	26.9	−2.1
1975	12.9	−2.8	49.2	10.1	−3.5	38.7	3.2	1.6	12.1	26.2	−1.6
1976	13.4	4.0	47.1	11.5	13.4	40.4	3.6	13.3	12.5	28.5	8.7
1977	13.7	2.4	45.9	12.6	9.5	42.1	3.6	−0.1	12.0	29.9	5.0
1978	16.1[2]	17.3	46.8	14.3	13.7	41.5	4.0	9.6	11.7	34.5	15.3
1962-1978 Avg. Annual Growth Rate		10.0			12.0			14.9			11.2
Percentage Point Change		- 9.1 pts.			4.4 pts.			4.7 pts.			

[1] Source: INS Data

[2] U.S. Mainland to U.S. Virgin Islands was an additional 389,000 in 1978

TABLE 7
SOUTHWARD PASSENGER FLOW[1/]
DISTRIBUTED BY MAJOR REGION
1962-1978

U.S. MAINLAND TO/FROM	CARIBBEAN		PUERTO RICO		MEXICO		SOUTH AMERICA		CENTRAL AMERICA		TOTAL SOUTHWARD	
Year	Psgrs. (000)	% Change	Psgrs. (000)	% Change	Psgrs. (000)	% Change	Psgrs. (000)	% Change	Psgrs. (000)	% Change	Psgrs. (000)	% Change
1962	1,170	–	1,178	–	600	–	354	–	199	–	3,501	–
1963	1,212	3.6	1,385	17.6	699	16.5	386	9.0	216	8.5	3,898	11.3
1964	1,475	21.7	1,634	18.0	786	12.4	464	20.2	235	8.8	4,594	17.8
1965	1,849	25.3	1,928	18.0	933	18.7	502	8.2	313	33.1	5,525	20.2
1966	2,278	23.2	2,120	10.0	1,148	23.0	567	12.9	356	13.7	6,469	17.1
1967	2,716	19.2	2,444	15.3	1,307	13.8	691	21.8	388	9.0	7,546	16.6
1968	3,216	18.4	2,879	17.7	1,490	14.0	806	16.6	417	7.4	8,808	16.7
1969	3,729	15.9	2,968	3.1	1,645	10.4	877	8.8	470	12.7	9,689	10.0
1970	3,769	1.1	2,977	0.3	1,787	8.6	980	11.7	522	11.1	10,035	3.5
1971	3,945	4.6	3,016	1.3	2,060	15.2	1,001	2.1	543	4.0	10,565	5.2
1972	4,392	11.3	3,329	10.3	2,532	22.9	1,156	15.4	645	18.8	12,054	14.0
1973	4,413	0.5	3,416	2.6	2,960	16.9	1,311	13.4	709	9.9	12,749	5.7
1974	4,380	–0.7	3,364	–1.5	3,187	7.6	1,531	16.7	785	12.1	13,257	3.9
1975	4,250	–2.9	3,033	–9.8	3,147	–1.2	1,627	6.2	821	3.2	12,878	–2.8
1976	4,432	4.0	3,092	1.9	3,280	4.2	1,676	3.0	918	11.8	13,398	4.0
1977	4,469	0.8	3,183	2.9	3,181	–1.0	1,891	12.8	1,007	9.6	13,731	2.4
1978	5,129	14,7	3,529	10.8	4,140	30.1	2,235	18.1	1,090	5.7	16,120	17.3
Avg Annual Growth Rate		9.6		7.1		12.8		12.2		11.2		10.0

[1/]SOURCE: INS Data; U.S.-Virgin Islands Traffic of 298,000 in 1977 and 389,000 in 1978 is not included

TABLE 7A
SOUTHWARD PASSENGER FLOW
PERCENT SHARE BY MAJOR REGION
1962–1978

U.S. MAINLAND TO/FROM: YEAR	CARIBBEAN	PUERTO RICO	MEXICO	SOUTH AMERICA	CENTRAL AMERICA	TOTAL SOUTHWARD
1962	33.4%	33.6%	17.1%	10.1%	5.8%	100%
1963	31.1	35.5	17.9	9.9	5.6	100
1964	32.1	35.6	17.1	10.1	5.1	100
1965	33.5	34.9	16.9	9.1	5.6	100
1966	35.2	32.8	17.7	8.8	5.5	100
1967	36.0	32.4	17.3	9.1	5.2	100
1968	36.5	32.7	16.9	9.2	4.7	100
1969	38.5	30.6	17.0	9.1	4.8	100
1970	37.6	29.7	17.8	9.8	5.1	100
1971	37.3	28.5	19.5	9.5	5.2	100
1972	36.4	27.6	21.0	9.6	5.4	100
1973	34.6	23.2	23.2	10.3	5.7	100
1974	33.0	25.4	24.0	11.6	6.0	100
1975	33.0	23.6	24.4	12.6	6.4	100
1976	33.1	23.1	24.5	12.5	6.8	100
1977	32.5	23.2	23.2	13.8	7.3	100
1978	31.8	21.9	25.7	13.9	6.7	100
Percentage Point Change	−1.6% pts.	−11.7% pts.	8.6% pts.	3.8% pts.	.9% pts.	

TABLE 8
EASTWARD PASSENGER FLOW [1]
DISTRIBUTED BY MAJOR REGION
1962-1978

U.S. TO/FROM	EUROPE			MIDDLE EAST			AFRICA			TOTAL EASTWARD	
Year	Psgrs. (000)	% Change	% Share	Psgrs. (000)	% Change	% Share	Psgrs. (000)	% Change	% Share	Psgrs. (000)	% Change
1962	2,257	–	97.0	43	–	2.0	27	–	1.0	2,327	–
1963	2,563	13.5	96.8	55	27.9	2.1	30	11.1	1.1	2,648	13.8
1964	3,241	26.4	97.2	65	18.1	2.0	28	–6.6	0.8	3,334	25 9
1965	3,724	14.9	97.0	79	21.5	2.0	34	21.4	1.0	3,837	15.0
1966	4,256	14.2	97.0	98	24.0	2.2	37	8.8	0.8	4,391	14.4
1967	5,005	17.5	97.1	115	17.3	2.2	35	–5.4	0.7	5,155	18.2
1968	5,551	10.9	96.3	171	48.6	3.0	42	20.0	0.7	5,764	11.8
1969	6,705	20.7	96.7	174	1.7	2.5	52	23.8	0.8	6,931	20.2
1970	8,079	20.4	96.7	213	22.4	2.5	64	23.0	0.8	8,356	20.5
1971	9,043	11.9	96.5	271	27.2	2.9	57	–10.9	0.6	9,371	12.1
1972	10,954	21.1	96.1	353	30.2	3.1	88	54.4	0.8	11,395	21.6
1973	11,394	4.0	96.6	312	–11.6	2.6	88	0.0	0.8	11,794	3.5
1974	10,075	–11.6	95.9	321	2.8	3.1	105	19.3	1.0	10,501	–11.0
1975	9,761	–3.1	96.3	251	–21.8	2.5	121	15.2	1.2	10,133	–3.5
1976	11,034	13.0	96.0	330	31.4	2.9	130	7.4	1.1	11,494	13.4
1977	11,973	8.5	95.1	432	30.9	3.4	185	42.3	1.5	12,590	9.5
1978	13,613	13.6	95.1	528	22.2	3.7	174	–5.9	1.2	14,315	13.7
Avg Annual Growth Rate		11.9			16.9			12.4			12.0
Percentage Point Change			–1.9 pts.			1.7 pts.			0.2 pts.		

1/ Source: INS Data

U.S.-Europe traffic increased at an average rate of 11.9% between 1962 and 1978. Beginning in 1973, the U.S.-Europe traffic growth rate declined and volumes actually decreased in 1974 and 1975. It was not until 1977 that traffic recovered and slightly exceeded the 1973 level. Traffic in 1978 rose 13.6% due to increasing European originating traffic as the U.S. became a more attractive destination because of the decreasing value of the dollar.

The top four European destinations accounted for two/thirds of total U.S.-Europe traffic in 1978. Traffic to the United Kingdom has remained the largest component: it grew at an average annual rate of 13.1% since 1962 increasing its share from 31.2% to 37.1%. Its increasing share in recent years reflects the introduction of new low fare services to London that diverted traffic from other European gateways. U.S.-Germany with an average annual growth of 12.6% now ranks in second place; it surpassed France in 1967/1968. Of the four leading origin/destinations, U.S.-France was the only one to decline in each of the three years of the most recent recession. Its average annual growth since 1962 was only 8%. U.S.-Italy has remained in fourth place with a growth rate slightly below the U.S.-Europe average.

Although still a small flow compared to U.S.-Europe, U.S.-Mid East traffic grew 16.9% per year, the highest growth rate for flows to and from the United States to any of the 10 regions of the world. Israel, the largest market in the Middle East, with more than one-half the volume, grew at 15.2%. Traffic to the other areas in the Mid East, primarily Iran, grew at 20.5% per annum. The U.S.-Africa flow, while erratic, has averaged a 12.4% growth rate between 1962 and 1978.

3. Westward Flow

The Westward traffic flow has been historically split with about 80% between the U.S. and the Far East and 20% to and from the South Pacific, except for the mid-1960's when it was 75% and 25%, respectively, (See Table 9). This has been consistently the fastest growth region at 14.9% per year. U.S.-Far East traffic recorded increases in every year until 1977, even during the 1974-1975 economic recession.

U.S.-Japan traffic is the major traffic flow with over one-half of the Westward flow. In 1977, the growth rate for the U.S.-Japan flow was lower than in 1975, primarily due to the fact that the Yen appreciated (240 Yen per dollar from 293 the year before), while the air fare from Japan to the U.S. was converted from dollars to Yen at the 293 rate. As the majority of this flow is composed of Japanese citizens, the artificially high IATA ticket exchange rate encouraged expenditures on imported goods instead of travel to the United States.

In every year from 1962-1978, U.S.-South Pacific volume increased, the only regional flow of the 10 regions to do so.

B. U.S. CITIZENS VERSUS U.S. FLAG AIRLINES TRAFFIC

The relationship between the citizenship of the passenger and the flag of the carrier flown is not easy to analyze. Travelers do not necessarily "follow the flag", especially in the case of U.S. travelers (refer to Tables 4 and 5).

U.S. citizens have historically comprised the majority of the travelers to and from the United States. U.S. citizen share, however, has fallen significantly since the early and mid-1950's when it represented two-thirds of the travelers. By 1961, the U.S. citizen share fell to the 61-62% range where it remained through 1972. Since then it has fallen to the 56-58% range.

TABLE 9
WESTWARD PASSENGER FLOW [1/]
DISTRIBUTED BY MAJOR REGION
1962-1978

U.S. TO/FROM	FAR EAST			SOUTH PACIFIC			TOTAL WESTWARD	
Year	Psgrs. (000)	% Change	% Share	Psgrs. (000)	% Change	% Share	Psgrs. (000)	% Change
1962	358	–	81.7	80	–	18.3	438	–
1963	399	11.4	81.2	92	15.0	18.8	491	12.1
1964	442	10.7	75.4	144	56.5	24.6	586	19.3
1965	510	15.3	73.4	184	27.7	26.5	694	18.4
1966	604	18.4	74.0	212	15.2	26.0	816	17.5
1967	688	13.9	73.4	249	17.4	26.6	937	14.8
1968	789	14.6	74.7	266	6.8	25.2	1,055	12.5
1969	1,013	28.3	78.8	273	2.6	21.2	1,286	21.8
1970	1,357	33.9	79.6	348	27.4	20.4	1,705	32.6
1971	1,500	10.5	77.9	425	22.1	22.1	1,925	12.9
1972	1,848	23.2	78.5	505	18.8	21.4	2,353	22.2
1973	2,300	24.4	79.5	592	17.2	20.4	2,892	22.9
1974	2,511	9.1	80.7	598	1.0	19.3	3,109	7.5
1975	2,524	0.5	80.0	635	6.1	20.0	3,159	1.6
1976	2,884	14.2	80.6	695	9.4	14.4	3,579	13.3
1977	2,844	–1.3	79.6	730	5.0	20.4	3,574	–0.1
1978	3,190	12.1	79.2	838	14.6	20.8	4,018	9.6
Avg Annual Growth Rate		14.6			15.8			14.9
Percentage Point Change			–2.5 pts.			2.5 pts.		

[1/]SOURCE: INS Data

The U.S. airlines carried three-quarters of the travelers through 1950. In the early 1950's, they carried about two-thirds of the traffic. Beginning in 1957, their share steadily fell to about 50% even though U.S. citizens still comprised over 60% of the travelers. The drop in the U.S. flag airlines share was especially strong across the Atlantic. In the late 1960's and early 1970's, the U.S. carrier share started increasing and remained at the 55% level from 1968 through 1974. During the last few years, U.S. airlines have been carrying about half of the international traffic to and from the U.S.

U.S. airlines have consistently carried a smaller proportion of traffic as compared to the percent of U.S. citizens in the Eastward and Southward flows. Only in the Westward flow has the U.S. retained a positive "gap"; that is, the U.S. airline share exceeded the U.S. citizen share, as shown in Table 10.

1. Southward Flow

A comparison of the percentage of the market represented by U.S. citizens versus the percentage transported on U.S. flag airlines is shown in Table 11 for the Southward flow. The U.S.-Caribbean and U.S.-Mexico flows have the highest percentage of U.S. citizens (70% and 65%, respectively) of all regions mainly because of extensive vacation travel. U.S. citizen traffic between the U.S. and the Caribbean remained nearly constant at the 3.7 million passenger level from 1972 to 1977. The U.S. flag carriers' percentage declined substantially below the proportion represented by U.S. citizens after the 1973 fuel crisis. However, by 1978 the U.S. flag airlines had nearly recovered their market share.

In the U.S.-Mexico market, although U.S. flag airlines have had more than 50% of the traffic, their share has not equalled the percentage represented by U.S. citizens. During the past two years, the negative gap between percent flag and percent citizens has increased substantially.

The majority of U.S.-Central and South American traffic has been by non-U.S. citizens. U.S. flag airlines carried a larger share of the U.S.-South American traffic than the U.S. citizen share through the 1965-1978 period. Favorable to the U.S. flag carriers was the fact that the number of U.S. citizens traveling stabilized during the recent recession. Although they have not achieved as high as 50% of the flow, U.S. flag airlines in 1978 carried over 1.0 million passengers to/from South America for the first time even though only 0.8 million in the market were U.S. citizens. Similarly, U.S. flag carriers have a minority of the business in the U.S.-Central American market, although their share, except during 1974-1975, has been nearly equal to that of the percentage of U.S. citizen passengers. Panama traffic has largely been the province of U.S. flag lines, although only half the passengers are U.S. citizens.

2. Eastward Flow

The U.S.-Europe market experienced a most severe decline in the number of U.S. citizens between 1973 and 1975; almost 1.5 million out of a total of 7.4 million and did not return to the 1973 volume until 1977. Non-U.S. citizens decreased by only 0.2 million during this period. The corresponding declines in airline traffic were U.S. Flag, 1.2 million passengers, and Foreign Flag, 0.5 million. These events, however, did not change the long-run relationship between the percent of the market obtained by U.S. airlines versus the percent represented by U.S. citizens. U.S. citizens constituted more than two-thirds of this market as recently as 1972 and still have over 58%, as shown in Table 12. However, U.S. airlines have come close to carrying one-half the traffic only once since 1958 and that was in 1973. Since Europe is by far the largest regional flow to the United States, it has a strong impact on U.S. airlines. A separate section on U.S.-Europe flow is included because of its importance to total U.S. international air traffic.

TABLE 10
U.S. INTERNATIONAL AIR PASSENGERS 1/
U.S. FLAG AIRLINES VS U.S. CITIZENS
DISTRIBUTED BY MAJOR FLOWS
1965-1978

	SOUTHWARD			EASTWARD			WESTWARD			TOTAL 2/		
YEAR	% U.S. CITIZENS	% U.S. FLAG	GAP 3/ (% POINTS)	%U.S. CITIZENS	% U.S. FLAG	GAP 3/ (% POINTS)	% U.S. CITIZENS	% U.S. FLAG	GAP 3/ (% POINTS)	% U.S. CITIZENS	% U.S. FLAG	GAP 3/ (% POINTS)
1965	61.8	50.7	-11.1	62.3	41.7	-20.6	55.7	60.0	+ 4.3	61.4	50.6	-10.8
1970	62.4	61.6	- 0.8	65.5	48.6	-16.9	47.1	58.2	+11.1	61.9	56.0	-5.9
1972	65.8	64.4	- 1.4	66.5	46.9	-19.6	43.0	57.4	+14.4	63.7	55.6	-8.1
1973	65.3	61.9	- 3.4	64.3	48.2	-16.1	36.8	56.9	+20.1	61.3	55.4	-5.9
1974	63.9	60.1	- 3.8	61.1	45.6	-15.5	33.4	55.0	+21.6	58.5	53.4	-5.1
1975	65.3	58.2	- 7.1	60.8	44.4	-16.4	31.9	47.3	+15.4	56.8	51.0	-5.8
1976	60.9	56.3	- 4.6	60.0	43.6	-16.4	32.3	45.8	+13.5	56.3	49.7	-6.6
1977	61.7	56.6	- 5.1	61.6	46.4	-15.2	33.5	46.4	+12.9	57.7	50.4	-7.3
1978	60.7	59.6	- 1.1	58.0	43.0	-15.0	32.4	43.2	+10.8	55.6	50.0	-5.6

1/ Source: INS Data

2/ Also refer to Tables 2 and 4 showing data from 1950

3/ Positive GAP - U.S. flag share larger than U.S. Citizen share
Negative GAP - U.S. flag share smaller than U.S. Citizen share.

TABLE 11
U.S. FLAG AIRLINES VS. U.S. CITIZENS[1/]
SOUTHWARD FLOW
1965-1978

	CARIBBEAN			MEXICO			SOUTH AMERICA			CENTRAL[2/] AMERICA			PANAMA			TOTAL		
	% U.S. CITIZENS	% U.S. FLAG	GAP[3/] (% PTS.)	% U.S. CITIZENS	% U.S. FLAG	GAP[3/] (% PTS.)	% U.S. CITIZENS	% U.S. FLAG	GAP[3/] (% PTS.)	% U.S. CITIZENS	% U.S. FLAG	GAP[3/] (% PTS.)	% U.S. CITIZENS	%-U.S. FLAG	GAP[3/] (% PTS.)	% U.S. CITIZENS	% U.S. FLAG	GAP[3/] (% PTS.)
1965	70.5%	61.6%	-8.9	62.6%	55.5%	-7.1	34.3%	39.7%	5.4	45.6%	62.2%	-	-	-	-	61.8%	50.7	-11.1
1970	69.8	69.0	-.8	64.6	65.5	.9	35.4	35.5	.1	46.0	61.3	-	-	-	-	62.4	61.6	-.8
1972	72.6	74.1	+1.5	67.9	61.1	-6.8	41.1	42.4	1.3	45.5	42.8	-2.7	60.2%	89.1%	28.9	65.8	64.4	-1.4
1973	71.7	69.4	-2.3	68.0	62.7	-5.3	42.8	43.4	.6	47.4	47.4	0	58.1	89.7	31.6	65.3	61.9	-3.4
1974	71.6	65.6	-6.0	65.3	61.7	-3.6	40.0	44.1	4.1	49.4	44.5	-4.9	56.4	87.1	30.7	63.9	60.1	-3.8
1975	70.3	63.9	-6.4	61.1	59.4	-1.7	40.0	42.9	2.9	48.9	45.4	-3.5	54.1	81.5	27.4	65.3	58.2	-7.1
1976	71.5	64.6	-6.9	59.5	57.3	-2.2	38.8	38.9	.1	46.1	43.8	-2.3	50.8	76.5	25.7	60.9	56.3	-4.6
1977	70.6	67.0	-3.6	66.2	56.0	-10.2	38.1	41.1	3.0	45.6	45.8	-.2	50.7	81.6	30.9	61.7	56.6	-5.1
1978	70.4%	68.5%	-1.9	65.3%	57.2%	-8.1	34.6%	43.9%	9.3	43.6%	43.1	-.5	49.7	81.3	31.6	60.7	59.6	-1.1

1/ Source. INS DATA

2/ Includes Panama in 1965 and 1970

3/ Positive gap - U.S. Flag share larger than U.S. citizen share.

Negative gap - U.S. Flag share smaller than U.S. citizen share.

TABLE 12
U.S. FLAG AIRLINES VS. U.S. CITIZENS[1/]
EASTWARD FLOW
1965 - 1978

	EUROPE			AFRICA			MIDDLE EAST			TOTAL		
YEAR	% U.S. CITIZENS	% U.S. FLAG	GAP[2/] (% POINTS)	% U.S. CITIZENS	% U.S. FLAG	GAP[2/] (% POINTS)	% U.S. CITIZENS	% U.S. FLAG	GAP[2/] (% POINTS)	% U.S. CITIZENS	% U.S. FLAG	GAP[2/] (% POINTS)
1965	62.2	41.2	-21.0	73.5	97.1	23.6	-	-	-	62.3	41.7	-20.6
1970	65.4	48.2	-17.2	74.4	93.8	19.4	-	-	-	65.5	48.6	-16.9
1972	68.0	47.5	-20.5	70.5	86.0	15.5	72.1	22.6	-49.5	66.5	46.9	-19.6
1973	65.4	49.0	-16.4	67.3	84.7	17.4	66.6	18.6	-48.0	64.3	48.2	-16.1
1974	62.1	46.3	-15.8	63.7	75.7	12.0	67.1	17.3	-49.8	61.1	45.6	-15.5
1975	61.5	45.2	-16.3	64.9	70.3	5.4	60.7	10.9	-49.8	60.8	44.4	-16.4
1976	60.9	44.9	-16.0	61.1	60.5	- 0.6	64.3	7.9	-56.4	60.0	43.6	-16.4
1977	62.4	45.5	-16.9	61.5	63.4	1.9	57.5	17.4	-40.1	61.6	46.4	-15.2
1978	58.4	44.0	-14.4	60.8	59.1	- 1.7	51.9	15.9	-36.0	58.0	43.0	-15.0

1/ Source: INS Data

2/ Positive Gap - U.S. Flag share larger than U.S. Citizen share
Negative Gap - U.S. Flag share smaller than U.S. Citizen share

U.S.-Africa traffic was mainly U.S. citizens and was carried almost exclusively by U.S. flag airlines in 1965. By 1978, the proportions had declined substantially to the world average. The U.S.-Middle East flow was nearly three-quarters U.S. citizens in 1972 declining to approximately 50% in 1978. U.S. flag share decreased from 23% to 16% during the same period. Foreign Flag traffic volume was essentially flat from 1972 to 1975 while U.S. airlines' direct traffic dropped to one-third of the 1972 level reducing their market share to only 8% in 1975. Some recovery had been made in market share by 1978.

3. Westward Flow

On routes between the Far East and the United States, the number of U.S. citizens in 1965 exceeded that of non-U.S. citizens. By 1970 however, a cross-over point had been passed and U.S. citizens became a minority of this traffic. The number of U.S. citizens to the Far East had doubled but non-U.S. citizens, primarily Japanese passengers, had tripled during this five-year period. Over the next five year period to 1975, the number of U.S. citizens in this flow remained level at 0.8 million while the number of non-U.S. citizen passengers more than doubled from 1.0 to 2.2 million. As a result, U.S. citizens' share of the market dropped to below 30% where it has remained, as shown in Table 13. The U.S.-Far East flow is the only major flow where U.S. flag airlines have consistently carried a larger proportion of the traffic than the percentage represented by U.S. citizens. In 1974, U.S. airlines still had over 50% of the traffic with 1.5 million passengers versus 1.2 million traveling on foreign flag airlines. But the rising tide of Japanese travelers combined with no increase in U.S. citizen travelers reversed the situation in 1975. U.S. carriers have since obtained less than one-half the market although by 1978 they were carrying 1.5 million passengers, which was 0.5 million more than the number of U.S. citizens in the flow.

In the U.S.-South Pacific, as in most other traffic flows, the percentage of U.S. citizens has declined. In this market, the number of U.S. citizen travelers was less in 1975 than in 1970. This was reflected in the traffic carried by U.S. flag carriers, as their traffic volume, by 1977, had just slightly passed the 1970 level of 250 thousand. By 1978, with resumed growth in U.S. citizen traffic, U.S. airlines were carrying 37% of the traffic, which consisted of approximately 40% of U.S. citizens. This left a negative gap of 3 percentage points which was slightly worse than the 1 percentage point positive difference between the percentage of U.S. flag versus the percentage of U.S. citizens in 1965.

C. U.S.-EUROPE

1. Traffic

U.S.-Europe traffic is the single largest segment of U.S. international air traffic with nearly 14 million passengers in 1978, or more than 40% of the total, as shown in Table 14. The total U.S. international traffic is, therefore, heavily influenced by trends in this market. Airline traffic between the U.S. and Europe increased faster than total U.S. international passenger traffic since 1950, increasing 44 times in 28 years at an average rate of 14.7% per year. Its growth rate exceeded 20% per year throughout the 1950's and was nearly 16% in the 1960's, as shown in Figure 3. However, the severe traffic drop during the 1974/75 recession reduced the annual growth rate in the 1970's to an average of less than 7%. In fact, it was not until 1977 before traffic returned to the 1973 level.

A major cause of the phenomenal growth in the 1950's was the introduction of coach class fares on May 1, 1952 when fares 30% below the single basic fare were offered for the first time. This caused a 50% increase in transatlantic traffic in the first summer it was available! Because of

TABLE 13
U.S. FLAG AIRLINES VS. U.S. CITIZENS[1/]
WESTWARD FLOW
1965 - 1978

	FAR EAST[2/]			SOUTH PACIFIC			TOTAL		
YEAR	% U.S. CITIZENS	% U.S. FLAG	GAP (% POINTS)	% U.S. CITIZENS	% U.S. FLAG	GAP (% POINTS)	% U.S. CITIZENS	% U.S. FLAG	GAP (% POINTS)
1965	57.5	62.5	5.0	49.4	50.5	1.1	55.7	60.0	4.3
1970	46.0	58.5	12.5	51.9	56.8	4.9	47.1	58.2	11.1
1972	41.4	57.5	16.1	48.8	45.1	-3.7	43.0	57.4	14.4
1973	34.1	57.1	23.0	45.0	42.2	-2.8	36.8	56.9	20.1
1974	30.6	56.2	25.6	42.9	33.5	-9.4	33.4	55.0	21.6
1975	29.5	46.5	17.0	39.2	33.7	-5.5	31.9	47.3	15.4
1976	30.2	45.0	14.8	39.2	35.2	-4.0	32.3	45.8	13.5
1977	31.7	45.4	13.7	40.3	37.7	-2.6	33.5	46.4	12.9
1978	29.8	42.3	12.5	39.8	36.8	-3.0	32.4	43.2	10.8

1/ Source: INS Data

2/ Includes Middle East and U.S. Administered Trust Islands in 1965 and 1970

3/ Positive Gap - U.S. Flag share larger than U.S. Citizen share
Negative Gap - U.S. Flag share smaller than U.S. Citizen share

TABLE 14
U.S.–EUROPE AIR PASSENGERS
PERCENT OF TOTAL U.S. INTERNATIONAL AIR PASSENGERS 1/
1950–1978

YEAR	TOTAL	EUROPE	PERCENT EUROPE
	(000)	(000)	
1950	1,215	308	25.3%
1955	2,424	765	32.4
1960	4,765	1,920	40.3
1965	9,004	3,962	44.0
1970	18,616	8,280	44.4
1975	25,818	10,231	39.6
1978 2/	32,619	13,670	41.9%
AVG. ANNUAL GROWTH RATE	12.5%	14.7%	
PERCENTAGE POINT CHANGE			16.6% pts

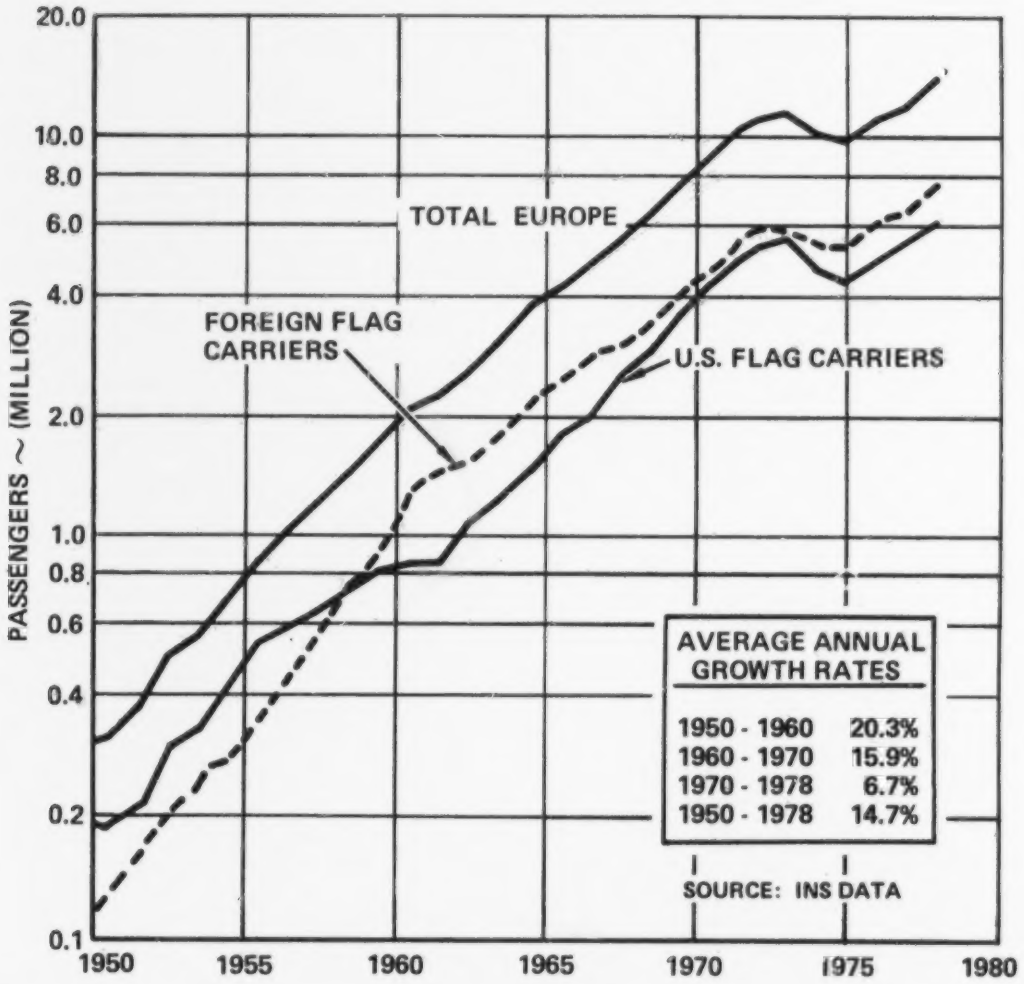
1/ Source: INS Data

2/ Excludes Europe-Anchorage-Japan polar traffic.

FIGURE 3.

U.S. - EUROPE AIR PASSENGERS

U.S. FLAG VS FOREIGN FLAG CARRIERS



this, within three years, two-thirds of U.S. international air traffic was coach class, and air travel displaced ships as the most favored means of travel to Europe. The impact of the continuing reduction in fares as more productive, long-range aircraft were introduced into service, as well as the improving Western European economies resulted in the continuing increase in traffic causing U.S.-Europe's share to increase from 25% in 1950 to 44% in 1965. It maintained this share through 1970. As a result of the 1974/75 recession transatlantic traffic dropped sharply, reducing its share to the 40-42% range. The decline of 1.7 million passengers during this two-year period was almost entirely due to the 1.5 million reduction in U.S. citizen passengers.

2. U.S. Citizens Versus U.S. Flag Airlines

U.S. citizens comprised over 60% of the U.S.-European market each year between 1950 and 1978, when it slipped to 58% as shown in Figure 4. The most recent peak occurred in 1972 when 7.4 million U.S. citizen arrivals and departures were recorded in this market. So severe was the volume decline between 1973 and 1975, that it was not until five years later in 1977 that U.S. citizen traffic again attained the 1972 volume.

U.S. airlines lost dominance in this market in 1957 at about the time of the introduction of U.S. turbojet equipment on the North Atlantic. The decline in the U.S. airlines' share of the market had started in 1951 and continued on until it bottomed out at only 38% in 1962. Many foreign airlines were given access to the U.S.-European market causing the U.S. airlines' share to drop almost in half. During the rest of the decade to the early 1970's U.S. flag carriers' share began rising as U.S. charter airlines became more aggressive.

Just after the volume and the proportion of U.S. citizens was reaching its recent peak in 1972, the U.S. flag airline portion climbed to 50% reaching its highest level since losing volume parity with foreign airlines in 1957. Following 1973, the U.S. flag airlines share has gradually declined along with the U.S. citizen share as U.S.-European traffic nearly returned to its historical growth rate of 15% in 1978.

IV. CHARTER SERVICES

Charter traffic has been reported separately by the INS since 1972 (Table 15). Charter traffic began growing rapidly in the late 1950's when first generation jet aircraft began replacing piston aircraft. Many piston aircraft were converted into cargo and charter service by the scheduled airlines, or more often by U.S. Supplemental airlines. Charter traffic has been largely confined to the European market (about 70%), the Caribbean (18-20%) and to Mexico (6-7%) as shown in Tables 16 and 17. All other flows have been relatively minor except for a flurry of charter activity to Hong Kong (Far East Flow) bewteen 1973 and 1975.

By the early 1960's charter service represented about 14% of total U.S. to Europe traffic, as reported by the International Air Transport Association (IATA). During the late 1960's, charter traffic made significant inroads into the scheduled market and by 1969 represented a quarter of the total U.S.-Europe market. It remained at this level through 1976. In 1977 charter again increased its share to 28% as charter regulations were liberalized. This situation was short-lived as the liberalized environment swept into scheduled services which aggressively pursued the low fare passengers. As a consequence charter traffic share of the U.S.-Europe market dropped 9 percentage points to 19% in 1978, as reported by IATA.

FIGURE 4.
U.S. EUROPE AIR PASSENGERS
U.S. FLAG AIRLINES VS. U.S. CITIZENS
1950 - 1978

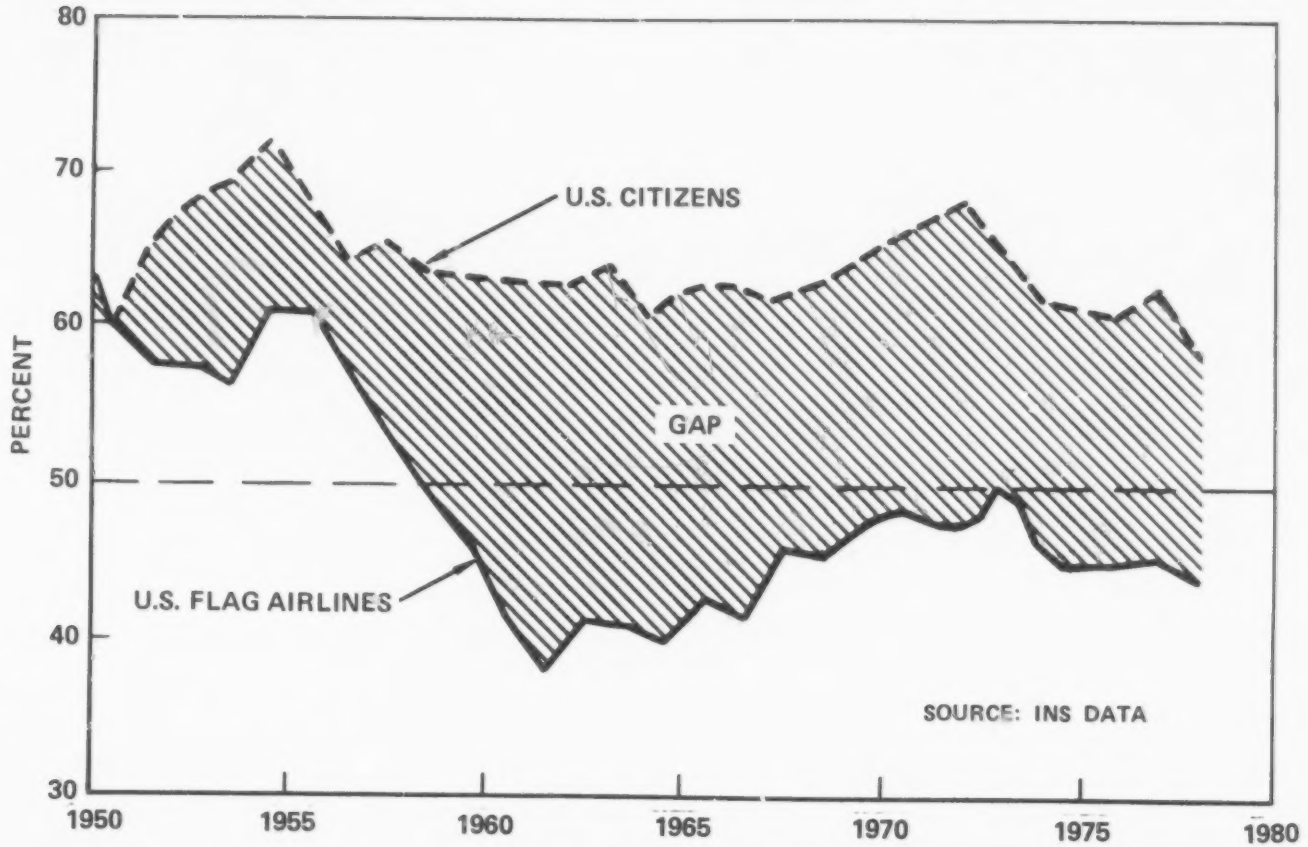


TABLE 15
U.S. INTERNATIONAL AIR PASSENGERS[1/]
SCHEDULED VS. CHARTER SERVICE
1972 - 1978
(000's)

	SCHEDULED	CHARTER	TOTAL	% CHARTER
1972	20,769	2,836	23,605	12.1%
1973	22,230	3,100	25,330	12.3
1974	21,966	2,946	24,912	11.8
1975	21,534	2,903	24,437	11.9
1976	23,168	3,602	26,770	13.6
1977	23,783	4,410	28,193	15.6
1978	28,679	3,940	32,619	12.1
		AVERAGE ANNUAL GROWTH RATES		
1972-1978	5.6%	5.6%	5.6%	
1977-1978	20.6%	-10.7%	15.7%	

[1/]Source. INS DATA

TABLE 16
U.S. INTERNATIONAL CHARTER AIR PASSENGERS 1/
DISTRIBUTED BY REGION
1972 – 1978
(000)

	1972	1973	1974	1975	1976	1977	1978
SOUTHWARD							
CARIBBEAN	518	411	384	360	542	621	878
MEXICO	188	217	203	214	236	249	265
CENTRAL AMERICA	6	7	4	9	12	29	25
SOUTH AMERICA	32	63	105	100	56	84	63
PANAMA	5	6	7	5	8	7	6
TOTAL SOUTHWARD	749	704	703	688	854	990	1,237
EASTWARD							
EUROPE	1,986	2,163	1,834	1,857	2,492	3,235	2,556
AFRICA	9	8	11	14	12	17	24
MIDDLE EAST 2/	15	15	15	15	15	18	11
TOTAL EASTWARD	2,010	2,186	1,860	1,886	2,519	3,270	2,591
WESTWARD							
FAR EAST	69	197	360	320	217	136	91
SOUTH PACIFIC	8	13	23	9	12	1	21
U.S. TRUST TERRITORIES	0	0	0	0	0	13	0
TOTAL WESTWARD	77	210	383	329	229	150	112
TOTAL WORLD	2,836	3,100	2,946	2,903	3,602	4,410	3,940

1/ Source: INS Data

2/ Estimated for 1972 - 1975.

TABLE 17
U.S. INTERNATIONAL CHARTER AIR PASSENGERS 1/
REGIONAL SHARE OF TOTAL CHARTER MARKET
1972 – 1978

	1972	1973	1974	1975	1976	1977	1978
SOUTHWARD							
CARIBBEAN	18.3%	13.3%	13.0%	12.4%	15.0%	14.1%	22.3%
MEXICO	6.6	7.0	6.9	7.4	6.6	5.6	6.7
CENTRAL AMERICA	.2	.2	.1	.3	..3	.7	.6
SOUTH AMERICA	1.1	2.0	3.6	3.4	1.6	1.9	1.6
PANAMA	.2	.2	.2	.2	.2	.2	.2
TOTAL SOUTHWARD	26.4%	22.7%	23.8%	23.7%	23.7%	22.5%	31.4%
EASTWARD							
EUROPE	70.1%	69.8%	62.3%	64.0%	69.4%	73.4%	65.1%
AFRICA	.3	.3	.4	.5	.3	.4	.6
MIDDLE EAST	.5	.5	.5	.5	.3	.4	.3
TOTAL EASTWARD	70.9%	70.6%	63.2%	65.0%	70.0%	74.2%	65.8%
WESTWARD							
FAR EAST	2.4%	6.3%	12.2%	11.0%	6.0%	3.1%	2.3%
SOUTH PACIFIC	.3	.4	.8	.3	.3	.3	.5
TOTAL WESTWARD	2.7%	6.7%	13.0%	11.3%	6.3%	3.4%	2.8%
TOTAL WORLD	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1/ Source: INS Data

An analysis of INS data from 1972 to 1978 indicates that total U.S. international charter business increased at the same 5.6% average annual rate as scheduled service volume. Thus, as charter volume increased by 1.1 million passengers its share remained at 12.1%. During the 1973-1975 business decline, charter volume was off by 0.2 million passengers: this only slightly reduced charter's share of the market, as scheduled service volume also declined. Charter volume rebounded in 1976 and 1977 to represent nearly 16% of the market, but suffered a large 0.5 million passenger decline in 1978, more than twice the volume decline in the recent recession. This was due to competition from Laker Airways and the low fares offered by the scheduled airlines to compete with Laker. Total U.S. charter trends reflect U.S.-Europe changes, since it is the major component of the charter market.

Not only is U.S.-Europe charter flow the largest charter flow, but it also constitutes a larger percentage of this market than that of any of the other regional flows, as shown in Table 18. Charter flow to and from Europe peaked at over one-quarter of the market in 1977 when 3.2 million charter passengers were carried. In this year, charter volume was 50% higher than in 1973, while scheduled service volume at 8.8 million was lower than the 1973 level. The charter percentage of this market returned in 1978 to its pre-recession level of 18-19%.

The second largest traffic flow, the U.S.-Caribbean, also has the second highest percentage among the regional flows: 14.5% of its total volume is represented by charter. Substantial declines occurred in charter traffic in this flow during the recent recession while scheduled service volume remained essentially constant from 1972 to 1977.

Charter service to and from the Far East has been on a continual decline since 1974 both on an absolute basis and as a percentage of that market.

In a reversal of the overall charter trend, U.S.-South American and U.S.-Far East charter volumes peaked in the 1974-1975 period and in 1978 were only at 60% and 25% of the 1974 level. U.S.-Mexico charter volume trends have paralleled those for scheduled services, maintaining a relatively constant share of this market.

V. GATEWAYS

U.S. international traffic is heavily concentrated with the top ten metropolitan areas accounting for 85% of the total and the top five, 76%, as shown in Table 19. The leading five metropolitan area gateways' share fell from 85.5% in 1965. These gateways consist of the three largest metropolitan areas in terms of population: New York, Los Angeles and Chicago; the major gateway in the South, Miami; and the major gateway in the West, Honolulu. New York is by far the largest gateway because of its dominance in the U.S.-Europe market (57%) and its substantial share (28%) of the U.S.-Southward flow. The average annual growth rate of New York was 2.2 percentage points below the total average over the 1965-1978 period; its share of the market dropped from 50% to 37.5%, approximately a 25% drop. However, in absolute terms, there are almost three times more international passengers in New York in 1978 (11.7 million) than there were in 1965 (4.1 million).

Two other cities among the top five had below-average growth rates resulting in market share declines: Miami and Chicago. While these cities have declined in the proportion of total traffic handled, their volume of traffic also tripled during the 13-year period. Los Angeles and Honolulu and San Francisco have experienced above-average growth at 15.7% and 13.1% respectively, because of the high growth of Westward flow.

TABLE 18
U.S. INTERNATIONAL CHARTER AIR PASSENGERS[1/]
CHARTER PASSENGERS AS A PERCENT OF EACH REGION'S TOTAL PASSENGERS
1972-1978

	1972	1973	1974	1975	1976	1977	1978
SOUTHWARD							
CARIBBEAN	10.0%	7.9%	7.3%	7.1%	10.3%	11.7%	14.5%
MEXICO	7.4	7.3	6.4	6.7	7.1	7.8	6.4
CENTRAL AMERICA	1.4	1.4	0.7	1.5	1.8	3.8	3.0
SOUTH AMERICA	2.6	4.5	6.4	5.8	3.2	4.2	2.7
PANAMA	2.3%	2.8%	2.7%	2.5%	3.5%	3.1%	2.6%
EASTWARD							
EUROPE	18.1%	19.0%	18.2%	19.1%	22.7%	26.9%	18.7%
AFRICA	10.0	10.0	10.7	11.8	9.3	8.9	10.3
MID EAST	.7%	3.7%	4.0%	4.4%	3.3%	3.3%	1.7%
WESTWARD							
FAR EAST	3.6%	8.3%	13.4%	11.6%	7.0%	4.4%	2.6%
SOUTH PACIFIC	1.8	2.4	3.9	1.7	1.8	1.8	2.6
TOTAL WORLD	12.1%	12.3%	11.8%	11.9%	13.6%	15.6%	12.1%

[1/]Source: INS DATA

TABLE 19
U.S. INTERNATIONAL AIR PASSENGERS[1/]
DISTRIBUTED BY U.S. GATEWAY
1965 VS. 1978

1978 RANKING	1965 PSGRS. (000)	1965 PERCENT OF TOTAL	1978 PSGRS. (000)	1978 PERCENT OF TOTAL	AVERAGE ANNUAL GROWTH RATE
1. NEW YORK/NEWARK	4,149	49.9	11,738	37.5	8.5
2. MIAMI/FT. LAUDERDALE	1,452	17.5	5,135	16.4	10.2
3. LOS ANGELES	447	5.4	2,969	9.5	15.7
4. HONOLULU	480	5.8	2,371	7.6	13.1
5. CHICAGO	480	5.8	1,605	5.1	9.7
6. BOSTON	235	2.8	1,214	3.9	13.5
7. SAN FRANCISCO	92	1.1	782	2.5	17.9
8. DALLAS	28	.3	716	2.2	NEW GATEWAY (FOR EUROPE)
9. WASHINGTON D.C./BALTIMORE	102	1.2	701	2.2	15.9
10. HOUSTON	89	1.1	689	2.2	17.1
11. SEATTLE	117	1.4	459	1.5	11.1
12. BANGOR	0	0	292[2/]	.9	-
13. ATLANTA	3	0	279	.9	NEW GATEWAY (FOR EUROPE)
14. SAN ANTONIO	136	1.6	269	.9	5.4
15. PHILADELPHIA	35	.4	264	.8	16.8
16. NEW ORLEANS	140	1.7	260	.8	4.9
17. DETROIT	42	.5	227	.7	13.7
OTHERS	288	3.5	1,314	4.4	N/A
TOTAL	8,315	100.0	31,284	100.0	10.7

[1/]Source: INS DATA but excludes SAN JUAN, GUAN and McGUIRE AFB.

[2/]Escentially Charter Traffic

The new Trans-Atlantic gateways of Dallas and Atlanta have generated the highest overall growth rates. These two cities, along with Boston, Washington, Houston, Philadelphia and Detroit increased their market share at the expense of New York for Eastward flow, and Miami for Southward flow.

A. U.S. GATEWAYS TO EUROPE

New York is the dominant Eastward gateway currently serving 57% of this traffic, compared to 78% in 1965 as shown in Table 20. All of the other major gateway cities have increased their share of U.S.-Europe traffic at the expense of New York. There are seven new gateways since 1965, each now having 1% or more of this market, achieving a total of 11% of the market. Washington D.C. and Seattle had the largest gains. The other gateways existing in 1965 increased their share by a slightly larger amount (12 percentage points). In general (and except for New York), the larger gateways had increased their market share by a larger amount than the smaller gateways in the U.S.-Europe market.

B. NEW YORK GATEWAY

International traffic through New York increased 28 times from 0.4 million passengers in 1950 to 11.4 million in 1978 or 12.6% annually, excluding U.S.-Mexico and U.S. Mainland-Puerto Rico, as shown in Table 21. The traffic pattern shows continuous growth each year except for the 1974-1975 traffic decline. Traffic in 1976 was still slightly below 1973. This is a similar pattern described for overall U.S. international traffic since New York represents a large portion of the total.

The percentage of U.S. international traffic served through New York steadily increased from 35% in 1950 to over 50% in 1960 (see Figure 5). New York reached its peak share during the early 1960's at 53% and then steadily declined to the 40% level in 1978 as new gateway cities developed and Westward flow increased in importance.

Eastward flow to and from New York increased 30 times from 0.3 million passengers in 1950 to 8.9 million in 1978, an annual rate of 13.0%. This flow through New York, which has always been more than 70% of New York's volume, suffered from the severe downturn in the U.S.-Europe market in the recent recession. With longer-range aircraft and new gateways to Europe, New York's share of Trans-Atlantic traffic has steadily declined over the 28 year period since 1950. From serving nearly all the U.S.-Europe traffic in 1950, New York's share has decreased to 57% in 1978.

C. CHARTER GATEWAYS

Charter gateway traffic is heavily concentrated at a few major gateways with the ten largest handling more than 80% of the volume, see Table 22. Since most charter traffic is to and from Europe, New York again is the largest gateway with 1.4 million charter passengers with more than one-third of this market in 1978. Bangor is a major charter gateway, ranking fourth, not as an originator of traffic, but primarily as a refueling stop and customs clearance point for charter flights to Europe.

The list of major charter gateways parallels that for total international traffic, with two exceptions. Honolulu and San Francisco, although among the ten largest international gateways, are not large charter gateways. Also, Los Angeles' market share of charter flow is only one-third that of the overall market. These three western gateways represent a lesser proportion of the charter market because of the restrictions on charters by Japan and Australia. A second exception is that several

TABLE 20
U.S. - EUROPE AIR PASSENGERS[1/]
PERCENT DISTRIBUTION BY U.S. GATEWAY
1965, 1971, 1978

	1965	1971	1978	PERCENTAGE POINT VARIATION 1965-1978
NEW YORK	77.6%	65.1%	57.3%	-20.3
CHICAGO	5.9	5.9	8.2	2.3
BOSTON	4.7	6.4	6.7	2.0
LOS ANGELES	3.5	3.7	5.9	2.4
MIAMI	0.2	1.6	3.8	3.6
WASHINGTON/BALTIMORE	-	2.8	3.6	3.6
SEATTLE	-	1.6	2.6	2.6
SAN FRANCISCO	1.2	0.7	1.7	.5
HOUSTON	.4	.7	1.2	.8
DETROIT	-	-	1.2	1.2
DALLAS	-	-	1.0	1.0
MINNEAPOLIS/ST. PAUL	-	-	1.0	1.0
PHILADELPHIA	-	-	1.0	1.0
ATLANTA	-	-	.9	.9
OTHER	6.5	11.5	4.2	N.A.
	100.0%	100.0%	100.0%	

[1/]Source: INS DATA

N.A. – Not Applicable.

TABLE 21
U.S. INTERNATIONAL AIR PASSENGERS FROM NEW YORK 1/
DISTRIBUTED BY REGION
1950 - 1978
(000)

	TOTAL NEW YORK		EASTWARD 2/		BERMUDA		CARIBBEAN		CENTRAL AND SOUTH AMERICA	
	PSGRS.	% SHARE	PSGRS.	% SHARE	PSGRS.	% SHARE	PSGRS.	% SHARE	PSGRS.	% SHARE
1950	416	100.0	292	70.0	71	17.1	14	3.3	40	9.6
1955	970	100.0	715	73.7	143	14.7	64	6.6	49	5.1
1960	2,266	100.0	1,695	74.8	176	7.8	261	11.5	135	6.0
1965	4,106	100.0	3,198	77.9	262	6.4	455	11.1	191	4.7
1970	7,831	100.0	6,053	77.3	253	3.2	1,095	14.0	430	5.5
1971	8,223	100.0	6,386	77.7	258	3.1	1,161	14.1	418	5.1
1972	9,444	100.0	7,395	78.3	283	3.0	1,280	13.6	486	5.1
1973	9,724	100.0	7,603	78.2	296	3.0	1,315	13.5	510	5.2
1974	8,856	100.0	6,724	75.9	302	3.4	1,236	14.0	594	6.7
1975	8,497	100.0	6,407	75.4	293	3.4	1,201	14.1	596	7.0
1976	9.621	100.0	7,310	76.0	461	4.8	1,263	13.1	587	6.1
1977	10,455	100.0	8,062	77.1	466	4.4	1,300	12.4	627	6.0
1978	11,449	100.0	8,860	77.4	449	3.9	1,467	12.8	673	5.9
Avg. Annual Growth Rate	12.6%		13.0%		6.8%		18.1%		10.6%	
Percentage Point Change				+7.4% pts		-13.2% pts		9.5% pts		-3.7% pts

1/ Source: INS Data

2/ Includes Asia
Source: Port Authority of N.Y./N.J.-INS

FIGURE 5.
U.S. INTERNATIONAL AIR PASSENGERS FROM NEW YORK 1/
NEW YORK SHARE OF EASTWARD FLOW AND TOTAL
1950 – 1978

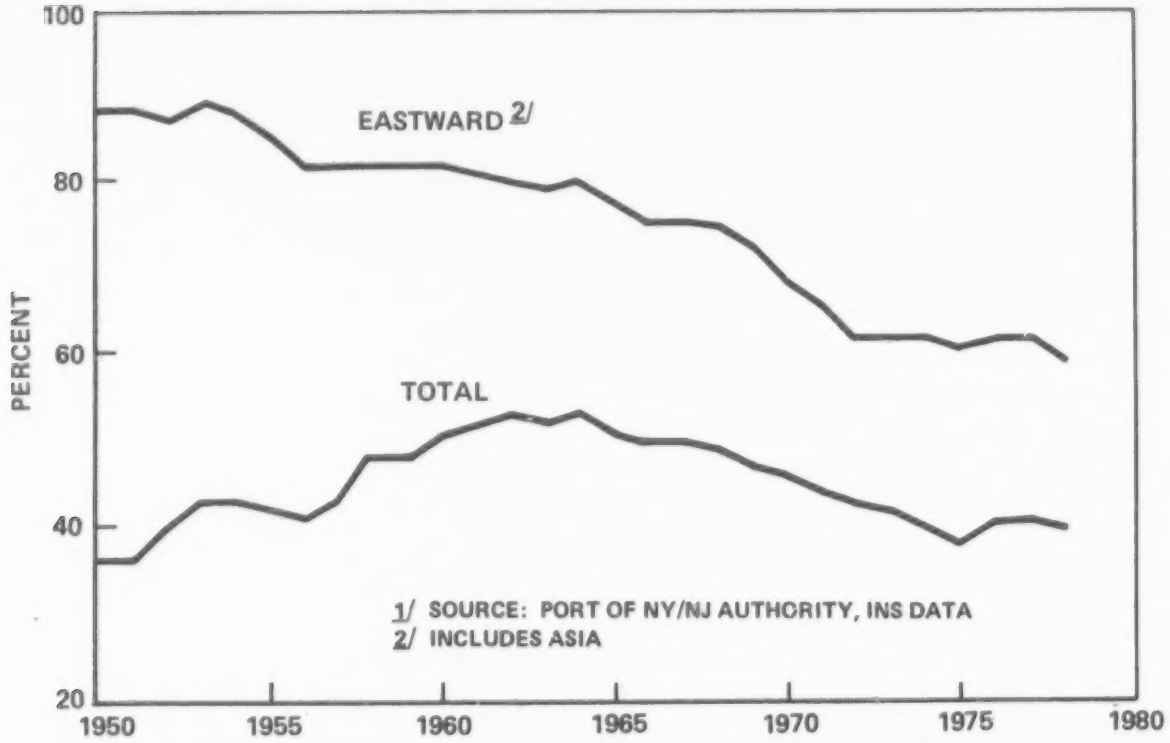


TABLE 22
U.S. INTERNATIONAL CHARTER AIR PASSENGERS[1/]
DISTRIBUTED BY GATEWAY
1978

	PASSENGERS (000's)	PERCENT OF TOTAL
NEW YORK/NEWARK	1,437	36.5%
CHICAGO	310	7.9
MIAMI/FT. LAUDERDALE	309	7.8
BANGOR	290	7.4
DETROIT	175	4.3
MINNEAPOLIS/ST. PAUL	163	4.1
BOSTON	161	4.1
PHILADELPHIA	137	3.5
LOS ANGELES	133	3.4
WASHINGTON D.C./BALTIMORE	88	2.2
OTHERS	737	18.7
TOTAL	3,940	100.0%

[1/]Source: INS DATA

gateways which are relatively low on the list of overall gateways are significant charter markets. Detroit, Minneapolis/St. Paul and Philadelphia, because of their lack of substantial international scheduled services, are large charter markets. This demonstrates that there is a large reservoir of demand available to be tapped by scheduled services at the larger interior cities that currently have minimal international scheduled services.